

**LARNED RECREATION COMMISSION**  
**Larned, Kansas**

**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**VONFELDT, BAUER & VONFELDT, CHTD.**  
**Certified Public Accountants**  
**Larned, Kansas 67550**

LARNED RECREATION COMMISSION  
Larned, Kansas  
Financial Statements  
For the Year Ended June 30, 2010

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Larned Recreation Commission  
Larned, Kansas

We have audited the accompanying financial statements of Larned Recreation Commission, Larned, Kansas, a component unit of Unified School District No. 495, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Recreation Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative financial information has been derived from the Recreation Commission's June 30, 2009 financial statements and, in our report dated December 7, 2009, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, Larned Recreation Commission, Larned, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Larned Recreation Commission, Larned, Kansas as of June 30, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Larned Recreation Commission, Larned, Kansas, as of June 30, 2010 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

VONFELDT, BAUER & VONFELDT, CHTD.  
Certified Public Accountants

December 24, 2010

LARNED RECREATION COMMISSION  
Larned, Kansas  
Summary of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts
Governmental Type Funds:			
General Fund:			
Recreation Fund	\$ 114,229.82	\$ 0.00	\$ 136,501.97
Special Revenue Funds:			
Employee Benefit & Special Liability	<u>3,192.06</u>	<u>0.00</u>	<u>24,011.00</u>
Total (Memorandum Only)	<u>\$ 117,421.88</u>	<u>\$ 0.00</u>	<u>\$ 160,512.97</u>

The notes to the financial statements are an integral part of this statement.

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 108,789.51	\$ 141,942.28	\$ 0.00	\$ 141,942.28
<u>21,872.17</u>	<u>5,330.89</u>	<u>0.00</u>	<u>5,330.89</u>
<u>\$ 130,661.68</u>	<u>\$ 147,273.17</u>	<u>\$ 0.00</u>	<u>\$ 147,273.17</u>

LARNED RECREATION COMMISSION  
Larned, Kansas  
Summary of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended June 30, 2010

Balance to be accounted for:	<u>\$ 147,273.17</u>
Composition of Cash:	
Recreation Commission Accounts:	
Checking Account - First National Bank, Larned, Kansas	\$ 9,255.55
Plus Deposits in Transit	280.00
Less Outstanding Checks	(24,581.22)
MMA - First National Bank, Larned, Kansas	71,299.52
Market Account - First National Bank, Larned, Kansas	462.92
Money Market Account - First State Bank, Larned, Kansas	<u>90,556.40</u>
Total	<u>\$ 147,273.17</u>

The notes to the financial statements are an integral part of this statement.

LARNED RECREATION COMMISSION  
Larned, Kansas  
Summary of Expenditures - Actual and Budget  
(Budgeted Funds Only)  
For the Year Ended June 30, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits
Governmental Type Funds:		
General Fund:		
Recreation Fund	\$ 190,793.00	\$ 0.00
Special Revenue Funds:		
Employee Benefit & Special Liability	27,052.00	0.00

The notes to the financial statements are an integral part of this statement.



Statement 2

Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
\$ 190,793.00	\$ 108,789.51	\$ (82,003.49)
27,052.00	21,872.17	(5,179.83)

LARNED RECREATION COMMISSION  
Larned, Kansas  
RECREATION FUND  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2010  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
USD 495 Appropriation	\$ 105,000.00	\$ 116,182.00	\$ 115,000.00	\$ 1,182.00
User Fees	18,365.00	19,152.50	20,448.00	(1,295.50)
Interest on Idle Funds	584.47	418.16	300.00	118.16
Reimbursed Expense	509.75	749.31	154.00	595.31
Total Cash Receipts	<u>124,459.22</u>	<u>136,501.97</u>	<u>\$ 135,902.00</u>	<u>\$ 599.97</u>
Expenditures				
Salaries	66,526.09	73,587.70	91,394.00	(17,806.30)
Equipment Purchases	11,186.61	16,410.35	73,518.00	(57,107.65)
Supplies	8,128.97	3,754.38	3,846.00	(91.62)
Repairs	1,479.33	2,710.61	5,987.00	(3,276.39)
Rentals	351.00	572.50	390.00	182.50
Transportation	1,896.30	1,688.24	1,850.00	(161.76)
Miscellaneous	852.01	0.00	100.00	(100.00)
Utilities	2,313.30	1,963.90	2,350.00	(386.10)
Insurance	964.00	923.00	1,061.00	(138.00)
Advertising	1,022.77	623.12	2,035.00	(1,411.88)
Annual Audit	1,470.00	1,500.00	1,500.00	0.00
Office Expense	1,639.83	1,203.58	1,500.00	(296.42)
Seminar Expense	300.00	300.00	300.00	0.00
Scholarships	0.00	142.00	247.00	(105.00)
Licenses & Fees	0.00	265.63	250.00	15.63
Budget Publication Fee	0.00	52.00	65.00	(13.00)
T-Shirts	0.00	3,004.50	4,100.00	(1,095.50)
Postage	0.00	88.00	300.00	(212.00)
Total Expenditures	<u>98,130.21</u>	<u>108,789.51</u>	<u>\$ 190,793.00</u>	<u>\$ (82,003.49)</u>
Receipts Over (Under) Expenditures	26,329.01	27,712.46		
Unencumbered Cash, Beginning	<u>87,900.81</u>	<u>114,229.82</u>		
Unencumbered Cash, Ending	<u>\$ 114,229.82</u>	<u>\$ 141,942.28</u>		

The notes to the financial statements are an integral part of this statement.

LARNED RECREATION COMMISSION  
Larned, Kansas  
EMPLOYEE BENEFIT AND SPECIAL LIABILITY  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2010  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
USD 495 Appropriation	\$ 22,743.00	\$ 23,818.00	\$ 23,818.00	\$ 0.00
Reimbursed Expense	<u>219.00</u>	<u>193.00</u>	<u>0.00</u>	<u>193.00</u>
Total Cash Receipts	<u>22,962.00</u>	<u>24,011.00</u>	<u>\$ 23,818.00</u>	<u>\$ 193.00</u>
Expenditures				
FICA Expense	5,081.74	5,328.85	6,992.00	(1,663.15)
Worker's Compensation	1,312.52	658.16	1,480.00	(821.84)
Unemployment Taxes	66.36	73.57	93.00	(19.43)
Health Insurance	11,038.42	10,472.92	12,694.00	(2,221.08)
KPERS	2,328.41	2,526.67	2,701.00	(174.33)
Liability Insurance	<u>2,811.00</u>	<u>2,812.00</u>	<u>3,092.00</u>	<u>(280.00)</u>
Total Expenditures	<u>22,638.45</u>	<u>21,872.17</u>	<u>\$ 27,052.00</u>	<u>\$ (5,179.83)</u>
Receipts Over (Under) Expenditures	323.55	2,138.83		
Unencumbered Cash, Beginning	<u>2,868.51</u>	<u>3,192.06</u>		
Unencumbered Cash, Ending	<u>\$ 3,192.06</u>	<u>\$ 5,330.89</u>		

The notes to the financial statements are an integral part of this statement.

LARNED RECREATION COMMISSION  
Larned, Kansas  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Larned Recreation Commission, Larned, Kansas, was established under K.S.A. 12-1925 to provide a system of public recreation. The Recreation Commission is comprised of an appointed five member board. The Recreation Commission receives its funding by a tax levy from Unified School District No. 495 and is a component unit of USD 495.

B. FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Recreation Commission for the fiscal year ended June 30, 2010:

GOVERNMENTAL FUNDS

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

C. BASIS OF ACCOUNTING

Statutory Basis of Accounting: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Recreation Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

#### C. BASIS OF ACCOUNTING (Cont'd.)

Departure from Accounting Principles Generally Accepted in the United States of America: The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

#### D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts and money market accounts. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

#### E. COMPENSATED ABSENCES

The Larned Recreation Commission grants regular employees sick leave after he/she has completed six months of continuous employment. Sick leave will be earned at the rate of 1 day per pay period and may be accumulated up to a maximum of 125 days. Accumulated sick leave is not paid upon separation from employment, therefore, there is no potential liability for sick leave as of June 30, 2010.

The Larned Recreation Commission grants regular employees vacation leave after he/she has completed six months of continuous employment. Vacation leave will be earned at the rate of 1 day per month for each of the first nine years of employment. After nine years of continuous employment, vacation leave will be earned at the rate of 1 1/4 days per month and after fourteen years of continuous employment at the rate of 1 1/2 days per month. No more than eighteen days of annual leave may be accumulated and carried over from year to year. Accumulated vacation will be paid when a two week notice is given in the event of separation for military service, voluntary resignation, or in the event of a lay-off because of a reduction in force. No vacation will be paid in cases where employees are discharged. The potential liability for vacation leave as of June 30, 2010 and 2009 is \$3,460.16 and \$3,101.24, respectively, which is a net change of \$358.92.

#### F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the Recreation Commission's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

#### G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

## H. REIMBURSED EXPENSES

Larned Recreation Commission records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

## I. ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The budget must be prepared so that it can be filed with the U.S.D. Clerk by August 1. The following calendar shows the last date the various steps must be completed to meet this deadline:

July 10	Publish Notice of Hearing
July 20	Hold Budget Hearing
August 1	Certify Budget to U.S.D. Clerk

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

### Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

### Note 4 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

#### Note 4 - DEPOSITS (Cont'd.)

K.S.A. 12-1675 limits the Recreation Commission's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - deposits: Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at June 30, 2010.

At June 30, 2010 the Recreation Commission's carrying amount of deposits was \$147,273.17 and the bank balance was \$171,574.39. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance \$171,574.39 was covered by federal depository insurance.

#### Note 5 - DEFINED BENEFIT PENSION PLAN

Plan Description: The Recreation Commission contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 establishes the KPERS member-employer contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on an annual valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate in effect at June 30, 2010 is 7.14%. The Recreation Commission's employer contributions to KPERS for the years ending June 30, 2010, 2009, and 2008 were \$2,799.66, \$2,328.41, and \$2,090.65, respectively, equal to the required contributions for each year.

#### Note 6 - RISK MANAGEMENT

The Recreation Commission is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Recreation Commission obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Recreation Commission does not participate in a public entity risk pool.